



Rural Electric Cooperative Corporation

A Touchstone Energy<sup>®</sup> Cooperative 

January 10, 2006

MS BETH O'DONNELL  
EXECUTIVE DIRECTOR  
PUBLIC SERVICE COMMISSION  
PO BOX 615  
FRANKFORT KY 40602

RECEIVED

JAN 10 2006

PUBLIC SERVICE  
COMMISSION

RE: PSC CASE NO. 2005-00493

Dear Ms. O'Donnell:

Please find enclosed an original and five (5) copies of our response to the first data request dated December 21, 2005 in the above referenced case.

Sincerely,



O. V. Sparks  
Vice President Administration & Finance

OVS/af

Enclosures

RECEIVED

CASE NO. 2005-00493

JAN 10 2006

FIRST DATA REQUEST OF COMMISSION STAFF  
TO NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION  
(Dated 12-21-2005)

PUBLIC SERVICE  
COMMISSION

1. All details of the contractual relationship are defined in the Contract Modification dated May 16, 2002. This modification was previously submitted in Exhibit 2, Case # 2003-00079. Under section 1.1, Scope & Term; Nolin shall furnish demand side management and energy efficiency services requested by the Government from Nolin for specific Ft. Knox facilities and Energy Conservation Opportunities (ECOs). Services tasking for specific facilities and ECOs are executed through subsequent task orders.

Section 1.2, Energy Conservation Opportunities explains the purpose of an ECO and list 26 examples of services Nolin provides under the contract.

The rights and responsibilities of Nolin and Ft. Knox are identified in Sections 2, 3, and 4 of the modification. Section 4.3 explains the limitation of Nolin's liability under this contract.

- 2.a. The loan has been completely drawn down.
- 2.b. Attached, as Exhibit 1 is a schedule of the loan.
- 3.a. This loan will fund the ongoing and future projects as proposed by Ft. Knox.
- 3.b. Attached, as Exhibit 2 is a list of the projects that was used to determine the amount.
4. Attached, as Exhibit 3 is the terms and conditions of the proposed loan.
5. Attached, as Exhibit 4 are the Loan Agreements.
6. This line of credit loan is a short-term loan. The purpose of this loan is to allow for funds to be drawn while the paper work for the term loan is being completed. After completion of the paper work the funds would then be transferred to the term loan.

LOAN SUMMARY CFC \$35,000,000 Line of Credit  
Case No. 2003-0079

Loan ID	Original Loan	Date	Interest Rate	Principal Paid	Interest Paid	Loan Balance
KY0519028001	\$17,000,000.00	6/9/2003 7/1/2003	3.05		\$ 31,252.05	\$ 17,000,000.00
		7/1/2003 9/1/2003	2.80		\$ 80,854.79	\$ 17,000,000.00
		9/1/2003 11/1/2003	2.80		\$ 79,550.68	\$ 17,000,000.00
		11/1/2003 12/1/2003	2.55	\$ 238,628.20	\$ 35,630.14	\$ 16,761,371.80
KY0519028002	\$4,000,000.00	11/25/2003 1/1/2004	2.55		\$ 10,339.73	\$ 20,761,371.80
		12/1/2003 1/1/2004	2.55		\$ 36,301.00	\$ 20,761,371.80
		1/1/2004 2/1/2004	2.60		\$ 45,845.66	\$ 20,761,371.80
		2/1/2004 3/1/2004	2.65	\$ 298,715.28	\$ 43,712.64	\$ 20,462,656.52
		3/1/2004 6/1/2004	2.65	\$ 300,769.78	\$ 136,679.34	\$ 20,161,886.74
		6/1/2004 7/1/2004	2.70		\$ 44,742.82	\$ 20,161,886.74
		7/1/2004 8/1/2004	3.00		\$ 51,371.39	\$ 20,161,886.74
KY0519028003	\$4,000,000.00	7/19/2004 8/1/2004	3.00		\$ 4,273.97	\$ 24,161,886.74
		8/1/2004 9/1/2004	3.30	\$ 302,838.42	\$ 67,719.48	\$ 23,859,048.32
		9/1/2004 11/1/2004	3.60		\$ 143,546.49	\$ 23,859,048.32
KY0519028004	\$4,000,000.00	11/1/2004 12/1/2004	3.90	\$ 362,773.67	\$ 76,479.69	\$ 23,496,274.65
		11/15/2004 12/1/2004	3.90		\$ 6,838.36	\$ 27,496,274.65
		12/1/2004 1/1/2005	4.20		\$ 98,082.60	\$ 27,496,274.65
KY0519028005	\$4,000,000.00	1/1/2005 2/1/2005	4.35		\$ 101,585.56	\$ 27,496,274.65
		2/1/2005 3/1/2005	4.50	\$ 422,186.10	\$ 96,148.39	\$ 27,074,088.55
		3/1/2005 4/1/2005	4.65		\$ 106,748.54	\$ 27,074,088.55
		3/18/2005 4/1/2005	4.65		\$ 7,134.25	\$ 31,074,088.55
		4/1/2005 5/1/2005	4.75		\$ 122,646.71	\$ 31,074,088.55
		5/1/2005 6/1/2005	5.00	\$ 425,419.47	\$ 131,195.74	\$ 30,648,669.08
KY0519028006	\$2,000,000.00	6/1/2005 7/1/2005	5.10		\$ 128,472.50	\$ 30,648,669.08
		7/1/2005 8/1/2005	5.35		\$ 139,262.51	\$ 30,648,669.08
		8/1/2005 9/1/2005	5.60	\$ 484,835.25	\$ 145,683.47	\$ 30,163,833.83
		9/1/2005 10/1/2005	5.85		\$ 145,957.63	\$ 30,163,833.83
		10/1/2005 11/1/2005	5.95		\$ 152,281.08	\$ 30,163,833.83
		11/1/2005 12/1/2005	6.10	\$ 488,835.90	\$ 150,318.53	\$ 29,674,997.93
		11/2/2005 12/1/2005	6.10		\$ 9,693.15	\$ 31,674,997.93
TOTALS	\$35,000,000.00			\$ 3,325,002.07	\$ 2,430,348.89	

**Fort Knox / Nolin ECO Progress Projection**

July 2005-June 2006

		ECO 52	ECO 55	ECO 56	ECO 63	ECO 65	ECO 69	ECO 71	ECO 72	ECO 73	Future	Total Month
July	2005	\$ 120,875	\$ -		\$ -		\$ -	\$ -		\$ -	\$ -	\$ 120,875
August	2005	\$ -	\$ -		\$ -		\$ 1,203,600	\$ -		\$ -	\$ -	\$ 1,203,600
September	2005	\$ -	\$ -		\$ -		\$ 802,400	\$ -		\$ 443,737	\$ -	\$ 1,246,137
October	2005	\$ -	\$ 66,000		\$ -		\$ 1,203,600	\$ -		\$ 591,650	\$ -	\$ 1,861,250
November	2005	\$ -	\$ 66,000		\$ -		\$ 1,203,600	\$ -		\$ 591,650	\$ -	\$ 1,861,250
December	2005	\$ -	\$ 115,500		\$ 45,440		\$ 1,203,600	\$ -		\$ 443,737	\$ -	\$ 1,808,277
January	2006	\$ -	\$ 49,500	\$ 450,000	\$ 45,440	\$ 100,000	\$ 1,203,600	\$ 200,000	\$ 500,000	\$ 295,825	\$ -	\$ 2,844,365
February	2006	\$ -	\$ 33,000	\$ 450,000	\$ 22,720	\$ 100,000	\$ 802,400	\$ 200,000	\$ 500,000	\$ 295,825	\$ -	\$ 2,403,945
March	2006	\$ -	\$ -	\$ 450,000	\$ -	\$ 100,000	\$ 401,200	\$ 325,000	\$ 500,000	\$ 147,913	\$ -	\$ 1,924,113
April	2006	\$ -	\$ -	\$ 450,000	\$ -	\$ 100,000	\$ -	\$ 325,000	\$ 500,000	\$ 147,913	\$ 1,500,000	\$ 3,022,913
May	2006	\$ -	\$ -	\$ 450,000	\$ -	\$ 100,000	\$ -	\$ 400,000	\$ 500,000	\$ -	\$ 1,500,000	\$ 2,950,000
June	2006	\$ -	\$ -	\$ 450,000	\$ -	\$ 100,000	\$ -	\$ 200,000	\$ 500,000	\$ -	\$ 1,500,000	\$ 2,750,000
<b>Total ECO</b>		\$ 120,875	\$ 330,000	\$ 2,700,000	\$ 113,600	\$ 600,000	\$ 8,024,000	\$ 1,650,000	\$ 3,000,000	\$ 2,958,250	\$ 4,500,000	\$23,996,725

		Projected Vendor Billings	Projected Ft. Knox Billings	Projected Princ.Pymts	Projected Outstanding Princ.
<b>Current Accounts Receivable Ft. Knox</b>					<b>\$34,823,884.50</b>
July	2005	\$ 120,875	129,336.25	\$418,938.39	\$34,534,282.36
August	2005	\$ 1,203,600	1,287,852.00	\$429,670.49	\$35,392,463.87
September	2005	\$ 1,246,137	1,333,366.59	\$440,781.88	\$36,285,048.58
October	2005	\$ 1,861,250	1,991,537.50	\$457,378.03	\$37,819,208.05
November	2005	\$ 1,861,250	1,991,537.50	\$473,974.17	\$39,336,771.38
December	2005	\$ 1,808,277	1,934,856.39	\$490,097.97	\$40,781,529.80
January	2006	\$ 2,844,365	3,043,470.55	\$515,460.23	\$43,309,540.12
February	2006	\$ 2,403,945	2,572,221.15	\$536,895.41	\$45,344,865.86
March	2006	\$ 1,924,113	2,058,800.91	\$554,052.08	\$46,849,614.69
April	2006	\$ 3,022,913	3,234,516.91	\$581,006.39	\$49,503,125.21
May	2006	\$ 2,950,000	3,156,500.00	\$607,310.55	\$52,052,314.66
June	2006	\$ 2,750,000	2,942,500.00	\$631,831.39	\$54,362,983.27
<b>Total ECO</b>		\$ 23,996,725	\$ 25,676,496	\$ 6,137,397	

**CFC TERM SHEET**  
**For**  
**Nolin Rural Electric Cooperative Corporation**  
**Interim To Permanent Financing**

<b>LOAN PURPOSE</b>	To provide financing to Nolin Rural Electric Cooperative Corporation (“Nolin”) for the Demand Side Management and Energy Efficiency Services Modification Agreements (the “Contract”) by and between Nolin and the United States of America, represented by the Contracting Officer of Fort Knox, a Department of Defense military installation (“Fort Knox”, the “Installation”).
<b>LOAN AMOUNT</b>	\$24,000,000 (Amount corresponds to the attached Fort Knox/Nolin ECO Progress Projection.)
<b>LOAN SECURITY</b>	<p>The interim financing will be unsecured.</p> <p>The permanent financing request will be secured by a lien subordination under the Restated Mortgage and Security Agreement executed by and among Nolin, CFC, and RUS (the “Mortgage”). This subordination will provide CFC with a first lien on and security interest in any and all revenues received by Nolin in conjunction with the Contract and any subsequent modifications or addendums thereto.</p>
<b>TERM</b>	<p>The financing will be structured in two tranches:</p> <ul style="list-style-type: none"><li>• Interim financing shall be for a period of up to 12 months.</li><li>• Permanent Financing-The term of the permanent financing shall be 15 years with maximum amortization period for each advance of 10-years</li></ul> <p>The draw periods for both facilities will be such that it meets the needs under the contracts.</p>
<b>LOAN STRUCTURE</b>	Funds may be drawn in whole or in part at any time during the set draw period.
<b>AMORTIZATION</b>	The interim financing will be interest only until the lien subordination is put into place, at which time the interim financing will be termed out at either level debt service or level principal as selected by Nolin.
<b>EQUITY REQUIREMENT</b>	Equity requirements are applicable on the permanent financing. In the event Nolin’s debt to equity ratio at CFC exceeds 8:1, the cooperative will be required to purchase a loan capital term certificate (“LCTC”) in an amount equal to two percent (2%) of the loan amount, at the time the permanent financing is advanced. Any equity requirement may be paid in cash over 8 quarters; borrowed, under a separate facility, from CFC at standard long-term interest rates for a term to match the permanent financing; or taken out of patronage capital associated with the permanent financing.

**CFC TERM SHEET**  
**For**  
**Nolin Rural Electric Cooperative Corporation**  
**Interim To Permanent Financing**

**PATRONAGE  
CAPITAL**

Nolin shall receive patronage capital in accordance with CFC's policies in effect at the time of retirement. Currently, CFC retires 70 percent of a current year's allocation within 90 days after the close of its fiscal year. The remaining 30 percent is retired 15 years thereafter.

**PREPAYMENT  
FEES**

Prepayment fees are applicable on the permanent financing. Prepayments will be allowed, in whole or in part, subject to a prepayment fee in accordance with CFC's policy in effect at the time of such prepayment. Nolin will be allowed to prepay advances under the permanent facility, without penalty, at any time so long as the notes are priced at the CFC long-term variable rate. Advances priced at fixed rates will be subject to standard prepayment fees.

**INTEREST  
RATES**

Standard long-term variable and fixed interest rates will be available during the interim and permanent financing periods. The term of the rate cannot exceed the term of the interim and permanent financing periods, combined. The interest rates may be converted throughout the term of the loan, subject to conversion fees, in accordance with CFC's policy in effect at the time such rates are selected.

Nolin will be eligible to receive any and all interest rate discounts that may apply on the permanent financing.

**FORWARD  
INTEREST  
RATES**

Forward interest rate locks are available and are used to guarantee an interest rate to be applied at some future date. Nolin may purchase a forward rate lock for a nominal fee for any period of time, such as: 3-month, 6-month, 9-month and 1 year. These fees are based on the amount of the loan, the time period, and the desired interest rate.

**LOAN  
COVENANTS**

An average MDSC of at least 1.35 must be maintained for the term of the loan. The average MDSC each year is calculated by using the average of the highest two of the last three years' MDSC.

**GENERAL  
REQUIREMENTS**

1. Submission of annual financial statements prepared by an independent accounting firm within 120 days after fiscal year end.
2. Copies of any and all contracts pertinent to the loan application, including the Contract identified above.
3. Execution and delivery of promissory notes, loan agreements, security agreements, assignments, pledge agreements, an opinion of counsel, and such other documents as required by CFC, in form and substance satisfactory to CFC and its counsel.

**CFC TERM SHEET**  
**For**  
**Nolin Rural Electric Cooperative Corporation**  
**Interim To Permanent Financing**

4. The granting of a lien subordination from RUS, prior to the first advance of permanent financing.
5. Nolin must receive all permits, consents, waivers and approvals of any and all Federal, state, or local government boards, commissions, authorities, or other regulatory bodies in connection with this proposed financing prior to the first advance of funds.
6. Further negotiation and completion of mutually agreeable financing terms and documentation which will include terms, provisions, representations, warranties, covenants, conditions precedent, defaults, indemnities and remedies that are typical to this type of financing not expressly described in this Term Sheet.
7. Final approval of the loan by CFC's Board of Directors, if such approval is required, under applicable CFC policies.
8. Any other information that CFC may require at the time of loan application as required for due diligence and that RUS may require to provide lien subordination.

## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of \_\_\_\_\_, between NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION (herein called the "Borrower"), a corporation organized and existing under the laws of the State of Kentucky and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (herein called "CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

### RECITALS

**WHEREAS**, the Borrower has applied to CFC for a loan or a series of loans for the purpose(s) set forth in Schedule 1 hereto and CFC is willing to make such loan(s) to the Borrower on the terms and conditions stated herein; and

**WHEREAS**, the Borrower has agreed to execute one or more secured promissory notes to evidence an indebtedness in the aggregate principal amount of the CFC Commitment.

**NOW, THEREFORE**, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

### ARTICLE I

#### DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Security Agreement.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement.

**"Amortization Basis Date"** shall mean the first calendar day of the month following the end of the Billing Cycle in which the Advance occurs, provided, however, that if the Advance is made on the first day of a Billing Cycle, and such day is a Business Day, then the Amortization Basis Date shall be the date of the Advance.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Billing Cycle"** shall mean any 3-month period ending on, and including, a Payment Date.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC Fixed Rate"** shall mean such fixed rate as is then available for loans similarly classified pursuant to CFC's policies and procedures then in effect.

**"CFC Fixed Rate Term"** shall mean the specific period of time that a CFC Fixed Rate is in effect for an Advance.

**"CFC Variable Rate"** shall mean the rate established by CFC for variable interest rate long-term loans similarly classified pursuant to the long-term loan programs established by CFC from time to time.

**"Conversion Request"** shall mean a written request from any duly authorized official of the Borrower, in form and substance satisfactory to CFC, that requests an interest rate conversion.

**"Collateral"** shall have the meaning defined in the Security Agreement.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term Debt) upon the larger of (i) an annualization of the payments required to be made with respect to the refinancing debt during the portion of such year such refinancing debt is outstanding or (ii) the payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to the interest rate in effect for an Advance plus three hundred basis points.

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. In computing Interest Expense, there shall be added, to the extent not otherwise included, an amount equal to 33-1/3% of the excess of Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Security Agreement, and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing or governing the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** with respect to each Note shall have the meaning ascribed to it therein.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean each secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the last day of each of the months referred to in Schedule 1.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower as computed for purposes of the Accounting Requirements.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of \$250,000 other than automobiles, trucks, trailers, other vehicles (including without limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"RUS"** shall mean the Rural Utilities Service of the United States of America, Department of Agriculture and any successor governmental agency.

**"Security Agreement"** shall have the meaning as described in Schedule 1 hereto.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership

interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note and the Security Agreement; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note and in the Security Agreement, all of which have been duly authorized by all necessary and proper action; and no consent or approval of any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note and the Security Agreement is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement,

mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from the financial condition and operations set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

**I. Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

**J. Required Approvals.** No license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Note and the Security Agreement, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the RUS, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

**K. Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

**L. Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

**M. No Other Liens.** As to property which is presently included in the description of Collateral, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC or RUS, or except as disclosed in writing to CFC prior to the date hereof.

**N. Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iii) there is no pending investigation of Borrower in regard to any Environmental Law, and (iv) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

### ARTICLE III

#### LOAN

**Section 3.01 Advances.** The Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia on the Business Day prior to the Business Day the Borrower seeks to have funds advanced.

At the end of the Draw Period, CFC shall have no further obligation to make Advances. The obligation of the Borrower to repay the Advances shall be evidenced by one or more Notes.

**Section 3.02 Interest Rate and Payment.** Notes shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) Each Note shall have a Maturity Date that is not more than fifteen (15) years from the date hereof, *provided, however*, that if such date is not a Payment Date, then the Maturity Date shall be the Payment Date immediately preceding such date.

(ii) Prior to or at the time of each Advance, the Borrower shall elect, with respect to such Advance, an amortization method for principal that shall be either (1) the level debt service method, or (2) the level principal method. If no election is made, then the Advance shall amortize on the level debt service method over a period ending on the earlier of the date that is ten (10) years from the date of such Advance and the Maturity Date.

(iii) Each Advance shall amortize over a period not to exceed ten (10) years from the date of such Advance, *provided, however*, that such period shall not extend beyond the Maturity Date. For each Advance, the Borrower shall promptly pay interest in the amount shown in the Payment Notice on each Payment Date until the first Payment Date of the Billing Cycle in which the Amortization Basis Date occurs. On such Payment Date, and on each Payment Date thereafter, the Borrower shall promptly pay interest and principal in the amounts shown in the Payment Notice. If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date. The amortization method for each Advance shall be as stated on Schedule 1 or, if not so stated, then as stated on the written requisition for such Advance submitted by the Borrower to CFC pursuant to the terms hereof.

(iv) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, *provided, however*, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(iv) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

**B. Application of Payments.** Each payment shall be applied to the Obligations, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, and the balance to principal.

**C. Selection of Interest Rate and Interest Rate Computation.** Prior to each Advance on a Note, the Borrower must select in writing either a CFC Fixed Rate or the CFC Variable Rate, as follows:

(i) CFC Fixed Rate. If the Borrower selects a CFC Fixed Rate for an Advance, then such rate shall be in effect for the CFC Fixed Rate Term selected by the Borrower. CFC shall provide the Borrower with at least sixty (60) days prior written or electronic notice of the date on which the CFC Fixed Rate is due to reprice. Pursuant to CFC's policies of general application for repricing, the Borrower may select any of the interest rate options then available for similarly classified borrowers repricing from a CFC Fixed Rate. If the Borrower does not select an interest rate in writing when a CFC Fixed Rate is subject to repricing, then the Advance subject to such CFC Fixed Rate shall reprice to, and shall bear interest at, the CFC Variable Rate. CFC agrees that its long-term loan policies will include a fixed interest rate option until the Maturity Date. For any Advance, the Borrower may not select a CFC Fixed Rate with a CFC Fixed Rate Term that extends beyond the Maturity Date. Interest on amortizing Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days, until the first day of the Billing Cycle in which the Amortization Basis Date occurs; interest shall then be computed on the basis of a 30-day month and 360-day year. Interest on non-amortizing Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days.

(ii) CFC Variable Rate. If the Borrower selects the CFC Variable Rate for an Advance, then such CFC Variable Rate shall apply until the Maturity Date, unless the Borrower elects to convert to a CFC Fixed Rate pursuant to the terms hereof. Interest on Advances bearing interest at the CFC Variable Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days.

### **Section 3.03 Conversion of Interest Rates.**

**A. CFC Variable Rate to a CFC Fixed Rate.** The Borrower may at any time convert from the CFC Variable Rate to a CFC Fixed Rate by submitting to CFC a Conversion Request requesting that a CFC Fixed Rate apply to any outstanding Advance. The rate shall be equal to the rate of interest offered by CFC in effect on the date of the Conversion Request. The effective date of the new interest rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

**B. CFC Fixed Rate to CFC Variable Rate.** The Borrower may at any time convert a CFC Fixed Rate to the CFC Variable Rate by: (i) submitting a Conversion Request requesting that the CFC Variable Rate apply to any outstanding Advance; and (ii) paying to CFC promptly upon receipt of an invoice any applicable conversion fee calculated pursuant to CFC's long-term loan policies as established from time to time for similarly classified long-term loans. The effective date of the CFC Variable Rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

**C. A CFC Fixed Rate to Another CFC Fixed Rate.** The Borrower may at any time convert from a CFC Fixed Rate to another CFC Fixed Rate if the Borrower: (i) submits a

Conversion Request requesting that a CFC Fixed Rate apply to any Advance and (ii) pays to CFC promptly upon receipt of an invoice any applicable conversion fee calculated pursuant to CFC's long-term loan policies as established from time to time for similarly classified long-term loans. The effective date of the new interest rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

**Section 3.04 Prepayment.** The Borrower may at any time, on not less than thirty (30) days prior written notice to CFC, prepay any Advance, in whole or in part, together with the interest accrued to the date of prepayment and any prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time, *provided, however*, that no prepayment premium or prepayment fee shall be charged with respect to any Advance accruing interest at the CFC Variable Rate.

**Section 3.05 Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

#### ARTICLE IV

#### CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Agreement, Note and Security Agreement, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of this Agreement, the Note and the Security Agreement or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. RESERVED.**

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a perfected security interest in the Collateral, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**G. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

**H. Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (a) information regarding the specific purpose for an Advance and the use thereof, (b) cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A. herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (c) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

**I. Special Conditions.** CFC shall be fully satisfied that the Borrower has complied with all special conditions identified in Schedule 1 hereto.

**ARTICLE V**

**COVENANTS**

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

**B. Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.** Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Note, and the Security Agreement throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year, audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

**H. Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC, indebtedness to RUS, or non-material purchase money indebtedness.

**I. Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the interest rate option, interest rate term and other written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Security Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

**J. Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

**K. Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

**L. Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

**M. Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**N. Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in Section 5.02.D(i). of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Special Covenants.** The Borrower agrees that it will comply with any special covenants identified in Schedule 1 hereto.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Security Agreement and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant. If the Borrower does sell, lease or transfer any capital assets, then the proceeds thereof (less ordinary and reasonable expenses incident to such transaction) shall immediately (i) be applied as a prepayment of the Note, to such installments as may be designated by CFC at the time of any such prepayment; (ii) in the case of dispositions of equipment, material or scrap, applied to the purchase of other property useful in the Borrower's business, although not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the lien of the Security Agreement; or (iii) applied to the acquisition or construction of other property or in reimbursement of the costs of such property.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or

commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation of institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States, (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower, and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

### EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

(i) **No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E,

5.01.G, 5.01.I, 5.01.N, 5.02.A, 5.02.B, 5.02.C, 5.02.D, 5.02.E, and 5.02.F of this Agreement.

(ii) **Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to

continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of \$100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

### REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

- (i) Cease making Advances hereunder;
- (ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;
- (iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, moneys due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

- (iv) Pursue all rights and remedies available to CFC that are contemplated by the Security Agreement and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Security Agreement and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;
- (v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation  
2201 Cooperative Way  
Herndon, Virginia 20171-3025  
Attention: Senior Vice President – Member Services  
Fax # 703-709-6776

The Borrower:

The address set forth in  
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Collateral, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Collateral, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, and (f) to prepare, negotiate, execute, deliver, review, amend or modify

any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Security Agreement and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late-payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Security Agreement and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE COLLATERAL, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE SECURITY AGREEMENT.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14. RESERVED.**

**Section 8.15 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.16 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

DELETE THE SECTION BELOW FOR ALL POWER VISION AND NBO LOANS

**Section 8.17 RESERVED.**

**Section 8.18 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

**NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION**

(SEAL)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Attest: \_\_\_\_\_  
Secretary

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**

(SEAL)

By: \_\_\_\_\_  
Assistant Secretary-Treasurer

Attest: \_\_\_\_\_  
Assistant Secretary-Treasurer

**SCHEDULE 1**

1. The purposes of this loan are (a) to refinance any outstanding, unpaid amounts owing to CFC under Line of Credit No. KY051-R-9903, in original principal amount of \$24,000,000, and (b) to finance costs associated with Borrower's Demand Side Management Energy Efficiency Services project at the Fort Knox military installation as stipulated in approved task orders between Borrower and the United States of America (the "Government").
2. The "CFC Commitment" is \$24,000,000.00.
3. The "Security Agreement" shall mean that certain Pledge and Security Agreement, dated as of even date herewith, by and between Borrower and CFC, granting CFC a first priority security interest in the Collateral, as it may have been, or shall be, supplemented, amended, restated, or consolidated from time to time.
4. The "Payment Date" months are February, May, August, and November.
5. Draw Period shall mean the period of beginning on the date hereof and ending on the date that is four (4) years thereafter.
6. The Subsidiaries of the Borrower referred to in Section 2.01.B. are:

<u>Name of Subsidiary</u>	<u>% of Borrower's ownership</u>
KVNet, Inc.	100%
7. The date of the Borrower's balance sheet referred to in Section 2.01.H is December 31, 2004.
8. The Borrower's exact legal name is Nolin Rural Electric Cooperative Corporation.
9. The Borrower's organizational type is cooperative corporation.
10. The Borrower is organized under the laws of the Commonwealth of Kentucky.
11. The Borrower's organizational identification number is 0037954.
12. The special condition(s) referred to in Section 4.01.I is (are):
  - (a) CFC shall not be obligated to make any Advances under this Agreement unless and until Borrower has provided CFC with written evidence, in form and substance satisfactory to CFC, that RUS has approved a Type III lien accommodation for this loan. In connection with such Type III lien accommodation, Borrower, CFC, and RUS shall execute and deliver to CFC an Agreement and Subordination of Mortgage Lien and Security Interest, in form and substance satisfactory to CFC (the "Subordination Agreement") pursuant to which the lien of that certain Supplemental Mortgage and Security Agreement dated March 1, 2002, by and among Borrower, CFC and RUS (as amended from time to time), is subordinated to the security interest of CFC in the Collateral, and Borrower shall record said Subordination Agreement in all locations necessary to effectuate such subordination.

EXHIBIT A

- (b) No financing statement shall have been filed with respect to the Collateral except those naming CFC or RUS as secured party.
  - (c) In addition to the requirements for requesting a requisition for an Advance as set forth in Section 4.F. of this Agreement, Borrower shall submit with each requisition for Advance its most recent set of month-to-month financial statements, in form and substance satisfactory to CFC.
  - (d) Within fifteen (15) days of the date that funds are available for advance under this Agreement, Borrower shall pay to CFC any and all amounts outstanding under CFC Line of Credit No. KY051-R-9903 and, immediately upon making such payment, said line of credit shall be canceled with no further availability thereon.
13. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 411 Ring Road, Elizabethtown, Kentucky 42701-8701.
14. The Governmental Authority referred to in Section 2.01.J. is: RUS
15. The special covenant(s) referred to in Section 5.01.O is (are) as follows: None
16. The address for notices to the Borrower referred to in Section 8.01 is 411 Ring Road, Elizabethtown, Kentucky 42701-8701, Attention: General Manager, Fax: (270) 735-1062.

EXHIBIT A



## Funds Requisition Statement - Government Contract Task Order

**Borrower Name & ID:** \_\_\_\_\_

**Date Of Advance:** \_\_\_\_\_

**LCTC Payment Method (If applicable):** \_\_\_\_\_

Banking Information		Correspondent Bank Information	
Bank Name:		Routing Bank Name	
City, State:		Routing Bank City, State	
Bank ABA #		Routing Bank ABA #	
Bank Account #			

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) attached hereto are complete and accurate financial statements of the Borrower for the previous month end; (3) attached hereto is a true and complete copy of the Government task order for which funding is requested; (4) the Borrower has met all of the conditions contained in the loan agreement governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (5) all of the representations and warranties contained in said loan agreement are true; (6) no Event of Default, as defined in said loan agreement, has occurred and is continuing; (7) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default; and (8) the funds requested herein will be used only for the purposes specified in the task order referenced herein.

EXHIBIT A

I hereby authorize CFC, for and on behalf of the Borrower, to make this Advance on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the loan agreement governing this Advance:

Loan Number	Advance Amount	Loan Maturity (years)	Interest Rate Selection	Interest Rate Term	Amortization Method, LD, LP, Bullet	Task Order No.

Total Advance Amount: \_\_\_\_\_

Certified By:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title of Authorized Officer

PLEASE FAX TO 703-709 6776      ATTN: \_\_\_\_\_, Associate Vice President

**SECURED PROMISSORY NOTE**

\$24,000,000.00

dated as of \_\_\_\_\_

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, a Kentucky cooperative corporation ("Borrower"), for value received promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("Payee") at the Payee's main office or such other place as designated by the Payee, in lawful money of the United States, the sum of the aggregate unpaid principal amount of all Advances (as defined in the Loan Agreement referred to herein) made by the Payee, pursuant to a Loan Agreement dated as of even date herewith between the Borrower and the Payee, as may be amended from time to time (the "Loan Agreement"), on the dates provided in the Loan Agreement, *provided, however*, that if not sooner paid as provided in the Loan Agreement, then any balance shall be due and payable on the date that is fifteen (15) years from the date hereof (such date being the Maturity Date hereof), *provided, however*, that if such date is not a Payment Date (as defined in the Loan Agreement), then the Maturity Date shall be the Payment Date immediately preceding such date, with interest thereon in like money from the respective dates of each Advance hereunder, at the rate or rates and payable at the times provided in said Loan Agreement together with any other amount payable under the Loan Agreement.

This Note is secured under a Pledge and Security Agreement, dated as of even date herewith, between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Security Agreement").

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Loan Agreement and the Security Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

**IN WITNESS WHEREOF** the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

**NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION**

(SEAL)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Attest: \_\_\_\_\_  
Secretary

Loan No. KY 051-A-9030